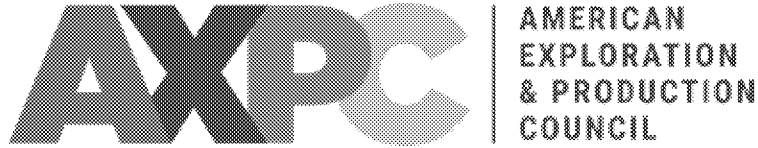


From: Griffiths, Jill [Jill.Griffiths@fticonsulting.com]
Sent: 6/21/2018 2:02:48 PM
To: Griffiths, Jill [Jill.Griffiths@fticonsulting.com]
Subject: ICYMI: Steel tariffs will harm U.S. energy production and American consumers



In Case You Missed It

Steel tariffs will harm U.S. energy production and American consumers

By Bruce Thompson, AXPC President
The Hill Op-Ed
June 20, 2018

The recently announced tariffs and quotas on steel and aluminum have sent shockwaves through business sectors across the United States. These tariffs, along with those that will soon be imposed on goods from China, will be damaging to a wide range of industries if there are not reasonable exceptions granted by the Department of Commerce. U.S. oil and natural gas production will be especially hard-hit — costing American jobs, increasing energy costs for families and businesses, and threatening our energy security.

Many people aren't aware of the integral role that steel plays in all phases of oil and natural gas development. Well construction, drilling, processing, refining, transportation and distribution all require steel and it is necessary to safely conduct our operations. The American Exploration & Production Council (AXPC) has joined forces with trade associations — energy and non-energy alike — around the country to express our concerns with the policy, and the importance of sensible exclusions for our members, all of whom depend on the ability of steel.

While we respect the goal of these tariffs and the need to support domestic metal producers, reasonable exclusions must be granted by the Department of Commerce to compensate for the lack of American pipeline-grade steel currently available.

It's no secret that the United States is in grave need of additional energy infrastructure. Pipelines and storage systems are nearing capacity across the country, and more options are needed to keep energy moving. Steel is one of the main materials used to construct pipelines and storage tanks. Unfortunately, the United States does not currently produce enough pipeline-grade steel to meet the demand for these projects. Pipeline-grade steel is a high-cost, specialty product from which most domestic manufacturers have moved away. In fact, there is zero domestic availability for certain types of steel pipeline products. As a result, the oil and gas industry is forced to rely on foreign imports to make up the difference.

A steep hike on the price of imported steel does not bode well for these much-needed infrastructure projects and will substantially increase material costs. A study conducted by the Association of Oil Pipelines

found that a 25 percent tariff on steel will result in a \$76 million cost increase for a typical pipeline project and more than a \$300 million cost increase for a major cross-country pipeline project.

Due to these tariffs, oil and gas companies will have to rethink many midstream and storage projects that are currently in the works. This could further squeeze producers at a time when they are already struggling to move or store all the oil and gas they're producing.

Thanks to the shale revolution, the United States has become the largest oil and natural gas producer in the world, and we would face a host of challenges if that progress were to be reversed. Oil and gas companies that are considering new exploration projects will be forced to reevaluate, delay, and possibly cancel their plans if they can't get the materials they need in a timely fashion and at a reasonable price. This could result in a major decline in U.S. oil and natural gas production. A cutback in production – due to restrictive trade policies – will threaten our national security and hinder our ability to achieve energy dominance.

The overall oil and gas supply chain will be impacted by a decrease in production. Though the industry has come a long way since the downturn of 2014, layoffs and other forms of cost-cutting across the energy sector will likely return if supply costs soar. Eliminating these tariffs, or at the very least, allowing for reasonable exclusions is in the best interests of American workers and businesses.

The shale renaissance triggered a complete transformation of our nation's energy landscape. Through innovation and responsible operations, America can continue to advance its energy standing. Unfortunately, these tariffs and any retaliatory tariffs on U.S. exports, will dramatically compromise our progress. The tariffs on steel and aluminum may have been enacted with America in mind, but it is Americans, by way of higher fuel costs, job layoffs, and decreased energy security, who will be hurt by the new policies.

Bruce Thompson is President of the American Exploration & Production Council (AXPC) whose membership is composed of 33 of America's premier independent natural gas and oil exploration and production companies.

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